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C O N F I D E N T I A L SECTION 01 OF 02 LISBON 000685

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DEPARTMENT FOR EUR/WE (OPSTRUP) AND EEB/ESC/TFS (COULTER)

E.O. 12958: DECL: 02/19/2018

TAGS: [IR](#) [PO](#) [ENRG](#) [EPET](#) [ETTC](#) [PREL](#)

SUBJECT: GALP - IRAN: AGREEMENT UNLIKELY IN SHORT TERM

REF: A. STATE 24254

[B](#). LISBON 492

[C](#). LISBON 251

[D](#). LISBON 238

Classified By: Matthew Harrington, Pol-Econ Counselor, Embassy Lisbon,
Reasons 1.4 (b,d)

[1](#). (C) Summary: The largest shareholder in Galp, Portugal's largest energy company, told us that reports of a Galp deal with Iran were overstated. He said Galp's discussions with Iran were only to maintain contact for concrete collaboration in the future, when the political environment is more suitable. Galp officials told us that Foreign Minister Amado had also expressed concern to them regarding Iran. Amado subsequently told us that, while the GOP has no involvement in Galp's contacts with Iran, he had told Galp's primary shareholder that it would be dangerous to establish a deal under current circumstances. Amado stressed that he shares U.S. concerns and had encouraged the Minister of the Economy to emphasize to all Portuguese companies the negative consequences of doing business with Iran. End Summary.

Primary Galp shareholder: agreement unlikely

[2](#). (C) During a lunch on March 13 with Americo Amorim, who holds a third of the shares of Galp, Portugal's largest energy company, the Ambassador expressed U.S. concerns about the company's reported negotiations with Iran's national oil company (NOIC). He cautioned that new investment in Iran would send a very unhelpful signal at a time when the international community is turning up the heat in response to Tehran's continued refusal to suspend its nuclear weapons program. Amorim assured the Ambassador that Galp has no intention of signing an agreement in the current political environment. The company is engaged in discussions with NOIC only to keep the door open for concrete collaboration once the time is right, and Galp would not move beyond the exploratory phase without his full knowledge and approval.

[3](#). (C) Amorim's aide, Carlos Gomes da Silva, said he was aware the U.S. government had been paying close attention to Galp's discussions with NOIC. Amorim Energy's General Manager, Rui Paulo Goncalves, confided on the margins of the lunch that Portuguese Foreign Minister Amado had also expressed concern to Amorim about the Galp-NOIC discussions.

Amado on Iran

[4](#). (C) In a separate conversation with FM Amado on March 19, Ambassador drew from ref A points to underscore U.S. concerns about the potential for Galp investment in Iran's petroleum sector. He informed Amado of his earlier conversation with Americo Amorim.

¶5. (C) The GOP, Amado replied, "has no involvement" in Galp's contacts with Iran, but he reported that he had told Amorim directly that it would be "dangerous" to pursue anything concrete under current circumstances. In addition, he had also encouraged his counterpart at the Ministry of Economy to emphasize to all Portuguese companies the negative consequences of doing business with Iran.

¶6. (C) Amado reiterated what he has told us previously that Portugal shares fully U.S. concerns about the threat posed by Iran's nuclear ambitions. He said he had spoken very frankly with Iranian FM Mottaki during the latter's visit to Lisbon in January (ref D), stressing the need for Iran to comply with UNSC resolutions. The Iranians "pose a tremendous challenge for all of us," Amado said, adding that "they are driving Solana crazy, with their constant cat and mouse games."

View from Galp

¶7. (C) Tiago Vilas-Boas, a senior GALP official, separately confirmed to us that the company's talks with NOIC are exploratory and that no agreement has been signed. He said the discussions have focused on the construction of a Light Natural Gas (LNG) plant and terminal in Iran. He provided no additional details on the proposed location of the LNG plant/terminal, the cost of the project, the timeline, the expected production capabilities of the plant, or other players/investors involved.

Comment

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¶8. (C) In light of these discussions, we are more confident that Galp's talks with Iran are unlikely to result in any concrete collaboration in the near term. It appears that Galp's principal objective is to keep its foot in the door in order to be able to move quickly should there be a positive resolution of the nuclear question. Although the GOP does not have the legal authority to prohibit Portuguese companies from investing overseas, Amado has clearly been proactive in trying to discourage Galp from going any further.
Stephenson